GOLDSTEIN & ASSOCIATES
Consulting Actuaries

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

ACTUARIAL VALUATION AS OF JUNE 30, 1992

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October 2, 1992

Board of Trustees
Judges' Retirement System of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

Re: Actuarial Valuation as of June 30, 1992

Dear Board Members:

I am pleased to submit my actuarial report on the financial position and funding requirements of the Judges' Retirement System of Illinois based on the actuarial valuation as of June 30, 1992.

The report consists of 13 Sections and 2 Appendices as follows:

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I would be pleased to discuss any aspects of this report with you and other interested persons.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 90-3402

A. PURPOSE AND SUMMARY

We have carried out an actuarial valuation of the Judges' Retirement System of Illinois as of June 30, 1992. The purpose of the valuation was to determine the financial position and funding requirements of the retirement system. This report is intended to present the results of the valuation. The results are summarized below:

1.	Total actuarial liability	$ 423,758,708
2.	Actuarial value of assets	187,627,388
3.	Unfunded actuarial liability	236,131,320
4.	Funded Ratio	44.3%
5.	Employer FY 93 funding requirement of normal cost plus amount required to pay off unfunded liability over 40 years as a level percent of payroll	$ 20,098,642
6.	Employer contribution requirement for FY 94 under Public Act 86-0273	$ 14,924,000
7.	Actuarial present value of credited projected benefits	$ 423,758,708

B. DATA USED FOR THE VALUATION

Participant Data. The participant data required to carry out the valuation was supplied by the retirement system. The membership of the system as of June 30, 1992 on which the valuation was based is summarized in Exhibit 1. It can be seen that there were 828 active members, 371 members receiving retirement annuities, and 268 members receiving survivor's annuities included in the valuation. The total active payroll as of June 30, 1992 was $67,615,893.

Exhibit 1

Summary of Membership Data

1.	Number of Members		
	(a) Active Members		
	(i) Vested		518
	(ii) Non-vested		310
	(b) Members Receiving		
	(i) Retirement Annuities		371
	(ii) Survivor's Annuities		268
	(c) Inactive Members		41
2.	Annual Salaries		
	(a) Total Salary	$	67,615,893
	(b) Average Salary		81,662
3.	Total Accumulated Employee Contributions of Active Members	$	55,386,220
4.	Annual Annuity Payments		
	(a) Retirement Annuities	$	18,145,739
	(b) Survivor's Annuities		5,372,518

Assets. The asset value used for the valuation was based on the asset information contained in the statement of assets as of June 30, 1992 prepared by the system. For purposes of the valuation, the book value of the assets of the system (assets valued at cost), less the amount of liabilities, was used. The resulting actuarial value of assets was $187,627,388. The development of this value is outlined in Exhibit 2.

Exhibit 2

Actuarial value of Assets

1.	Cash	$ 4,122,969
2.	Receivables	265,758
3.	Investments - Held in the Illinois State Board of Investment Commingled Fund, at Cost	183,415,396
4.	Equipment	24,566
5.	Total Assets	$187,828,689
6.	Liabilities	201,301
7.	Actuarial Value of Assets (5-6)	$187,627,388

C. RETIREMENT SYSTEM PROVISIONS

The actuarial valuation was based on the provisions of the retirement system in effect as of June 30, 1992 as provided in Article 18 of the Illinois Pension Code. A summary of the principal provisions of the system in effect as of June 30, 1992 is provided in Appendix 1.

D. ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Assumptions

Based on an experience analysis over the five year period 1987-1992, some changes were made in the actuarial assumptions used for the June 30, 1992 actuarial valuation from the actuarial assumptions used for the June 30, 1991 valuation. These changes were a 10% increase in the termination rates and an increase in the retirement rates resulting in a somewhat lower assumed average retirement age.

In our opinion, the actuarial assumptions used for the valuation are reasonable in the aggregate, taking into account the experience of the system and future expectations, and represent our best estimate of anticipated experience.

The major actuarial assumptions used for the current valuation are summarized below:

Mortality Rates. The UP-1984 Mortality Table was used for the valuation.

Termination Rates. Termination rates based on the recent experience of the system were used. The following is a sample of the termination rates that were used:

Age	Rate of Termination
30	.066
35	.033
40	.013
45	.005
50	.003
55	.000

Disability Rates. Disability rates based on the recent experience of the system as well as on published disability rate tables were used. The following is a sample of the disability rates that were used for the valuation:

Age	Rate of Disability
30	.00057
35	.00064
40	.00083
45	.00115
50	.00170
55	.00000

Retirement Rates. Rates of retirement for each age from 55 to 75 based on the recent experience of the system were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement
55	.051
60	.127
65	.058
70	.104
75	1.000

The above retirement rates are equivalent to an average retirement age of approximately 66.

Salary Increase. A salary increase assumption of 6.0% per year, compounded annually, was used. This 6% salary increase assumption can be considered to consist of a general increase component of 5% per year, 4.5% of which is attributable to inflation, and a seniority/merit component of 1% per year.

Interest Rate. An interest rate assumption of 8.0% per year, compounded annually, was used. This interest rate assumption can be considered to consist of an inflation component of 4.5% per year and a real rate of return of 3.5% per year.

Marital Status. It was assumed that 75% of active members will be married at the time of retirement.

Spouse's Age. The age of the spouse was assumed to be 4 years younger than the age of the employee.

Actuarial Cost Method

The projected unit credit actuarial cost method was used for the June 30, 1992 valuation. Actuarial gains and losses are reflected in the unfunded actuarial liability. This is the same actuarial cost method that was used for the June 30, 1991 valuation.

E. ACTUARIAL LIABILITY

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 3. The total actuarial liability is then compared with the actuarial value of assets in order to arrive at the unfunded actuarial liability. (The actuarial terms used in this report are defined in Appendix 2).

As of June 30, 1992, the total actuarial liability is $423,758,708, the actuarial value of assets is $187,627,388, and the unfunded actuarial liability is $236,131,320. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 44.3%.

Exhibit 3

Actuarial Liability As of June 30, 1992

1.	Actuarial Liability For Active Members	
	(a) Basic retirement annuity	$ 113,238,709
	(b) Annual increase in retirement annuity	30,009,252
	(c) Pre-retirement survivor's annuity	24,646,390
	(d) Post-retirement survivor's annuity	15,977,650
	(e) Withdrawal benefits	1,099,767
	(f) Disability benefits	1,231,871
	(g) Total	$ 186,203,639
2.	Actuarial Liability For Members Receiving Benefits	
	(a) Retirement annuities	$ 177,915,715
	(b) Survivor annuities	46,783,103
	(c) Total	$ 224,698,818
3.	Actuarial Liability For Inactive Members	$ 12,856,251
4.	Total Actuarial Liability	$ 423,758,708
5.	Actuarial Value of Assets	$ 187,627,388
6.	Unfunded Actuarial Liability	$ 236,131,320
7.	Funded Ratio	44.3%

Impact of Changes in Actuarial Assumptions. We have estimated that the changes made in the actuarial assumptions used for the June 30, 1992 actuarial valuation had the impact of increasing the total actuarial liability by $6,039,968.

F. EMPLOYER'S NORMAL COST

The employer's share of the normal cost for the year beginning July 1, 1992 is developed in Exhibit 4. For the year beginning July 1, 1992, the total normal cost is determined to be $17,486,538. Employee contributions are estimated

to be $7,437,748. The resulting employer's share of the normal cost is $10,048,790.

Based on a payroll of $67,615,893, the employer's share of the normal cost can be expressed as 14.86% of payroll.

Exhibit 4

Employer's Normal Cost For Year Beginning July 1, 1992

		Dollar Amount	Per Cent of Payroll
1.	Basic retirement annuity	$10,307,258	15.24%
2.	Annual increase in retirement annuity	2,771,490	4.10
3.	Pre-retirement survivor's annuity	2,624,889	3.88
4.	Post-retirement survivor's annuity	1,234,036	1.83
5.	Withdrawal benefits	165,224	.24
6.	Disability benefits	140,627	.21
7.	Administrative expenses	243,014	.36
8.	Total normal cost	$17,486,538	25.86%
9.	Employee contributions	7,437,748	11.00
10.	Employer's share of normal cost	$10,048,790	14.86%

Note. The above figures are based on total active payroll of $67,615,893 as of June 30, 1992.

G. EMPLOYER'S FUNDING REQUIREMENT FOR YEAR BEGINNING JULY 1, 1992

Public Act 86-0273 enacted a funding plan for the system under which, starting with Fiscal Year 1990, the State's contribution shall be increased incrementally over a 7 year period so that by Fiscal Year 1996, the minimum State contribution shall be an amount that, when added to other sources of employer contribution is sufficient to meet the normal cost and amortize the unfunded liability over 40 years as a level percent of payroll, determined under the projected unit credit actuarial cost method.

Thus, Public Act 86-0273 has legislated the funding requirement for the system to be normal cost plus 40 years as a level percent of payroll amortization of the unfunded liability (after the completion of the phase-in period).

We have therefore determined an employer funding requirement for the year beginning July 1, 1992 based on the normal cost plus 40 year level percent of payroll amortization of the unfunded liability. Although the phase-in period provided in Public Act 86-0273 will not be complete until Fiscal Year 1996, this calculation provides a measure of the required State contributions for the year beginning July 1, 1992 under this approach in the absence of a phase-in period.

The employer's funding requirement of normal cost plus the amount required to amortize the unfunded liability over 40 years at a level percent of payroll is developed in Exhibit 5. It can be seen from Exhibit 5 that for the year beginning July 1, 1992, the employer funding requirement of normal cost plus the amount required to amortize the unfunded liability over 40 years as a level percent of payroll amounts to $20,098,642. Actual employer contributions for the year are estimated to amount to $11,099,030. Thus, employer contributions for the year are expected to fall short of meeting the employer funding requirement determined under this basis by $8,999,612. This deficiency in employer contributions can be expressed as 13.31% of payroll.

Exhibit 5

Funding Requirement For Year Beginning July 1, 1992

1.	Employer's share of normal cost	$ 10,048,790
2.	Amount required to amortize the unfunded liability over 40 years as a level percent of payroll	10,049,852
3.	Employer's total funding requirement (1+2)	$ 20,098,642
4.	Estimated employer contribution for the year	$ 11,099,030
5.	Estimated amount by which employer contributions are expected to fall short of meeting the funding requirement (3-4)	$ 8,999,612

H. LEVEL DOLLAR EXPENSE REQUIREMENT UNDER APB OPINION NO. 8

Public Act 86-0273 provides for the amortization of the unfunded liability on a level percent of payroll basis. Accounting Principles Board Opinion No. 8, Accounting for the Costs of Pension Plans (APB Opinion No. 8) established certain standards for determining an employer's annual expense requirement under a pension plan. The minimum requirement for amortizing the unfunded liability specified under APB Opinion No. 8 is a 40 year amortization period and level dollar annual payments. The method specified under Public Act 86-0273 results in lower annual contributions in the early years of the amortization period and higher annual contributions in the later years than the APB Opinion No. 8 method. The expense requirement under APB Opinion No. 8 for the year beginning July 1, 1992 is determined as follows:

	Annual Amount	Percent of Payroll
Employer's normal cost	$10,048,790	14.86%
Annual amount to amortize the unfunded actuarial liability over 40 years through level dollar payments	18,988,792	28.08
Total expense requirement	$29,037,582	42.94%

Expense Requirement For Fiscal Year Ended June 30, 1992

Based on the results of our June 30, 1991 actuarial valuation and payroll of $66,294,898 as of June 30, 1991, we have determined the minimum pension expense for Fiscal Year 1992 under APB Opinion No. 8 to be $26,280,222, or 39.64% of covered payroll.

I. STATE APPROPRIATION REQUIREMENTS FOR FISCAL YEARS 1994-1996

Public Act 86-0273 which was signed into law on August 23, 1989 enacted the following funding plan for the system:

"Starting with the fiscal year which ends in 1990, the State's contribution shall be increased incrementally over a 7 year period so that by the fiscal year which ends in 1996, the minimum contribution to be made by the State shall be an amount that, when added to other sources of employer contributions, is sufficient to meet the normal cost and amortize the unfunded liability over 40 years as a level percentage of payroll, determined under the projected unit credit actuarial cost method. The State contribution, as a percentage of the applicable employee payroll, shall be increased in equal annual increments over the 7 year period until the funding requirement specified above is met."

Based on the June 30, 1992 actuarial valuation, we have determined the required contributions under this plan for Fiscal Years 1994-1996. The required contribution rates and amount are as follows:

Fiscal Year	Normal Cost	Amortization of Unfunded Liability	Total Required Rate	Assumed Payroll	Total Required Contributions
1994	14.86%	6.16%	21.02%	70,997,000	14,924,000
1995	14.86%	10.77%	25.63%	74,547,000	19,106,000
1996	14.86%	15.38%	30.24%	78,274,000	23,670,000

The contribution requirements are shown on a gross basis. The regular State appropriation requirement can be determined by adjusting for State Pension Fund appropriations and other sources of employer contributions.

The contribution requirements shown above have been determined using the actuarial assumptions and membership data that were used for the regular June 30, 1992 actuarial valuation. In order to determine the projected contribution rates and amounts, the following additional assumptions and estimates were used:

1. Total payroll of $70,996,688 for Fiscal Year 1994.
2. Assumed increase in total payroll of 5% per year.
3. Total employer contributions of $11,099,030 for Fiscal Year 1993.

Method of Calculation

The above contribution rates were determined in the following manner:

The projected unit credit actuarial cost method was used. The difference between the total Fiscal Year 1993 appropriation and the required normal cost for Fiscal Year 1993 was considered the 1993 amortization payment, and this payment was converted to a percentage of the expected 1993 payroll. An amortization schedule was then determined using the following approach:

1. The unfunded actuarial liability existing as of June 30, 1992 was determined to be $236,131,320.

2. Amortization rates for Fiscal Years 1994-1996 were determined in such a manner that the rate for any one year would exceed the rate for the previous year by a uniform percentage of payroll.

3. The amortization rates for Fiscal Years 1996-2035 would be a uniform percentage of payroll.

The normal cost rate calculated on the basis of the June 30, 1992 valuation was assumed to remain unchanged for future years at 14.86% of payroll.

In the future, amortization schedules will be revised on the assumption that the amortization will be completed by June 30, 2035, that the rates for Fiscal Years after 1995 will be a uniform percentage of payroll, and that 1994-1996 is a phase-in period. There will be no phase-in period for changes in normal cost.

J. RECONCILIATION OF CHANGE IN UNFUNDED LIABILITY

The net actuarial experience during the period July 1, 1991 to June 30, 1992 resulted in an increase in the system's unfunded actuarial liability of $24,592,335. This increase in unfunded liability is a result of several kinds of gains and losses as illustrated in Exhibit 6.

The employer funding requirement for the year of normal cost plus interest on the unfunded actuarial liability amounted to $25,553,332, whereas the actual employer contribution for the year amounted to $10,052,100. Thus, the employer contribution for the year fell short of meeting normal cost plus interest on the unfunded liability by $15,501,232. Had all aspects of the system's experience been in line with the actuarial assumptions, the unfunded liability would have increased by this amount.

The net rate of investment return earned by the assets of the system, based on assets valued at cost, was approximately 11.5% in comparison with the assumed rate of investment return of 8.0%. This resulted in a decrease in the unfunded liability of $6,046,123. Salaries increased at an average rate of approximately 4.6%, in comparison with an assumed rate of 6.0%, resulting in a decrease in the unfunded liability of $2,570,158.

The changes made in the actuarial assumptions used for the June 30, 1992 actuarial valuation had the impact of increasing the unfunded actuarial liability by $6,039,968.

The various other aspects of the system's experience resulted in a net increase in the unfunded liability of $11,667,416.

The aggregate financial experience of the system resulted in an increase in the unfunded liability of $24,592,335.

Exhibit 6

Reconciliation of Change in Unfunded Liability
Over the Period July 1, 1991 to June 30, 1992

1.	Unfunded actuarial liability as of 7/1/91	$ 211,538,985
2.	Employer contribution requirement of normal cost plus interest on the unfunded liability for the period 7/1/91 to 6/30/92	25,553,332
3.	Actual employer contribution for the year	10,052,100
4.	Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	15,501,232
5.	Decrease in unfunded liability due to investment return higher than assumed	6,046,123
6.	Decrease in unfunded liability due to salary increases lower than assumed	2,570,158
7.	Increase in unfunded liability due to changes in assumptions	6,039,968
8.	Increase in unfunded liability due to other sources	11,667,416
9.	Net increase in unfunded liability for the year (4-5-6+7+8)	$ 24,592,335
10.	Unfunded actuarial liability as of 6/30/92 (1+9)	$ 236,131,320

K. ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS

Governmental Accounting Standards Board (GASB) Statement No. 5, entitled Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, establishes standards of disclosure of pension information by public employee retirement systems.

GASB Statement No. 5 requires the disclosure of the actuarial present value of credited projected benefits as the standardized measure of the accrued pension obligation. This measure represents the discounted value of the amount of benefits estimated to be payable in the future as a result of employee service to date, computed by attributing an equal benefit amount to each year of service of the employee.

In Exhibit 7, we have shown the actuarial present value of credited projected benefits in the format prescribed in GASB Statement No. 5. It can be seen that the total actuarial present value of credited projected benefits of $423,758,708 is the same as the total actuarial liability under the projected unit credit actuarial cost method.

Impact of Changes in Actuarial Assumptions. We have estimated that the changes made in the actuarial assumptions used for the June 30, 1992 actuarial valuation had the impact of increasing the total actuarial present value of credited projected benefits by $6,039,968.

Exhibit 7

Actuarial Present Value of Credited Projected Benefits

1.	For members in receipt of benefits and for inactive members	$ 237,555,069
2.	For current employees	
	Accumulated employee contributions	55,386,220
	Employer-financed vested	77,009,396
	Employer-financed nonvested	53,808,023
3.	Total actuarial present value of credited projected benefits	$ 423,758,708
4.	Net assets available for benefits, at cost (Market value is $209,443,713)	$ 187,627,388
5.	Unfunded actuarial present value of credited projected benefits	$ 236,131,320

L. TWENTY YEAR PROJECTION OF COSTS AND LIABILITIES

Based on the results of the June 30, 1992 valuation and using the actuarial assumptions used for the valuation, we have projected valuation results for a 20 year period commencing with Fiscal Year 1992. Projections were done under the following alternative bases for determining State contributions to the system:

Basis 1. State contributions are based on the funding requirements of Public Act 86-0273.

Basis 2. State contributions remain at 1993 budgeted level. This has been the funding practice followed by the State for the past several years.

We have assumed that the total payroll would increase at the rate of 5% per year. The results of our projections are shown in Exhibits 8 and 9.

M. CERTIFICATION

This actuarial report has been prepared in accordance with generally accepted actuarial principles and practices and to the best of our knowledge, fairly represents the financial condition of the Judges' Retirement System of Illinois as of June 30, 1992.

Respectfully submitted,

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary 90-3402

Carl J. Smedinghoff
Associate of the Society of Actuaries

EXHIBIT 8

JUDGES RETIREMENT SYSTEM OF ILLINOIS
TWENTY YEAR PROJECTION OF COSTS AND LIABILITIES
(Assumes State Contributions Are Based on Public Act 86-0273)
(All Dollar Amounts in Millions)

	Fiscal Year Ending 6/30							
	1993	1994	1995	1996	1997	2002	2007	2012
BASIC DATA								
1. Number of Active Members	828	828	828	828	828	828	828	828
2. Expected Total Payroll	$ 67.6	$ 71.0	$ 74.5	$ 78.3	$ 82.2	$104.9	$133.9	$ 170.9
VALUATION RESULTS								
3. Actuarial Liability	$441.9	$462.9	$486.9	$514.0	$544.4	$747.7	$1045.5	$1426.8
(Retired Lives Reserved)	(234.3)	(245.5)	(258.2)	(272.6)	(288.7)	(396.6)	(554.5)	(756.6)
4. Assets (Book)	$194.8	$206.6	$223.8	$247.3	$273.8	$457.2	$ 739.9	$1130.4
5. Unfunded Actuarial Liability	$247.1	$256.3	$263.1	$266.7	$270.6	$290.5	$ 305.6	$ 296.4
(Funded Percentage)	(44.1)	(44.6)	(46.0)	(48.1)	(50.3)	(61.1)	(70.8)	(79.2)
6. Annual Normal Cost								
(a) Total	$ 17.5	$ 18.4	$ 19.3	$ 20.2	$ 21.3	$ 27.1	$ 34.6	$ 44.2
(b) Employee Contributions	7.4	7.8	8.2	8.6	9.0	11.5	14.7	18.8
(c) Employers Share	10.1	10.6	11.1	11.6	12.3	15.6	19.9	25.4
(% of Total Payroll)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)
7. State Contribution*	$ 11.1	$ 14.9	$ 19.1	$ 23.7	$ 24.9	$ 31.7	$ 40.5	$ 51.7
(% of Total Payrol)	(16.41)	(21.02)	(25.63)	(30.24)	(30.24)	(30.24)	(30.24)	(30.24)
8. Estimated Benefit Payout	$ 26.1	$ 26.4	$ 26.6	$ 26.9	$ 27.4	$ 32.7	$ 44.8	$ 67.3

* State Contributions are based on the funding requirements of Public Act 86-0273.

EXHIBIT 9

JUDGES RETIREMENT SYSTEM OF ILLINOIS
TWENTY YEAR PROJECTION OF COSTS AND LIABILITIES
(Assumes State Contribution Remains at 1993 Budgeted Level)
(All Dollar Amounts in Millions)

	Fiscal Year Ending 6/30							
	1993	1994	1995	1996	1997	2002	2007	2012
BASIC DATA								
1. Number of Active Members	828	828	828	828	828	828	828	828
2. Expected Total Payroll	$ 67.6	$ 71.0	$ 74.5	$ 78.3	$ 82.2	$104.9	$133.9	$ 170.9
VALUATION RESULTS								
3. Actuarial Liability	$441.9	$462.9	$486.9	$514.0	$544.4	$747.7	$1045.5	$1426.8
(Retired Lives Reserved)	(234.3)	(245.5)	(258.2)	(272.6)	(288.7)	(396.6)	(554.5)	(756.6)
4. Assets (Book) (8%)	$194.8	$201.6	$209.2	$217.5	$226.4	$275.0	$ 311.3	$ 278.3
5. Unfunded Actuarial Liability	$247.1	$261.3	$277.7	$296.5	$318.0	$472.7	$ 734.2	$1148.5
(Funded Percentage)	(44.1)	(43.6)	(43.0)	(42.3)	(41.6)	(36.8)	(29.8)	(19.5)
6. Annual Normal Cost								
(a) Total	$ 17.5	$ 18.4	$ 19.3	$ 20.2	$ 21.3	$ 27.1	$ 34.6	$ 44.2
(b) Employee Contributions	7.4	7.8	8.2	8.6	9.0	11.5	14.7	18.8
(c) Employers Share	10.1	10.6	11.1	11.6	12.3	15.6	19.9	25.4
(% of Total Payroll)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)	(14.86)
7. State Contribution*	$ 11.1	$ 10.2	$ 10.2	$ 10.2	$ 10.2	$ 10.2	$ 10.2	$ 10.2
(% of Total Payroll)	(16.41)	(14.34)	(13.65)	(13.00)	(12.38)	(9.70)	(7.60)	(5.96)
8. Estimated Benefit Payout	$ 26.1	$ 26.4	$ 26.6	$ 26.9	$ 27.4	$ 32.7	$ 44.8	$ 67.3

* State Contribution assumed to remain at 1993 budgeted level.

Appendix 1

Summary of Principal Provisions

1. Participation. Participation in the system is mandatory when a person first becomes a Judge, unless an "Election Not to Participate" is filed by the Judge within 30 days of the date of notification of this option.

2. Member Contributions. All members of the system are required to contribute to the system the following percentage of their salaries:

Retirement Annuity	7.5%
Automatic Annuity Increase	1.0
Survivor's Annuity	2.5
Total	11.0%

A married judge who files an "Election Not to Participate in the Survivor's Annuity, or an unmarried judge is not required to make contributions toward the Survivor's Annuity, in which case the total member contribution is 8.5% of salary.

3. Discontinuance of Contributions. A participant who becomes eligible to receive the maximum rate of annuity (At least 20 years of service credit and age 60 or over) may elect to discontinue contributions and have his or her benefits "fixed" based upon the final rate of salary immediately prior to the effective date of such election. This election, once made, is irrevocable.

4. Retirement Annuity - Eligibility. A judge who has at least 10 years of service may retire upon attainment of age 60. A judge with at least 6 years of service is entitled to an unreduced retirement annuity upon attainment of age 62.

A judge with at least 10 years of service may retire upon attainment of age 55, with the amount of the retirement annuity reduced 1/2 of 1% for each month that the judge is under age 60. However, the reduction does not apply if the judge has at least 28 years of service.

5. Retirement Annuity - Amount. The retirement annuity is determined according to the following formula based upon the final rate of salary

-3 1/2% for each of the first 10 years of service; plus
-5% for each year of service in excess of 10

The maximum retirement annuity is 85% of the final rate of salary.

6. Automatic Increase In Retirement Annuity. Annual automatic increases of 3% of the current amount of retirement annuity are provided. The initial increase is effective in the month of January of the year next following the year in which the first anniversary of retirement occurs.

7. Temporary Total Disability. A member with at least 2 years of service who becomes totally disabled and unable to perform his or her duties as a judge is entitled to a temporary disability benefit equal to 50% of salary payable during the period of disability but not beyond the end of the term of office.

8. Total and Permanent Disability. A member with at least 10 years of service who becomes totally and permanently disabled while serving as a judge is eligible to commence receiving his or her retirement annuity without reduction regardless of age.

9. Survivor's Annuity - Eligibility. A surviving spouse without children is eligible for survivor benefits at age 50 or over provided marriage to the member had been in effect for at least 1 year immediately prior to the member's death.

A surviving spouse with unmarried eligible children of the member is eligible for a survivor's annuity benefit at any age provided the above marriage requirements have been met. When all children are disqualified because of death, marriage or attainment of age 18, the spouse's benefit is suspended if the spouse is under age 50 until the attainment of such age.

Children of the member who are under age 18 or under age 22 and a full time student or who are dependent because of a physical or mental disability are eligible for survivor benefits.

If the member dies in service as a judge, the member must have at least 1 1/2 years of service credit for survivor's annuity eligibility. If death occurs after termination of service, the deceased member must have at least 10 years of service credit for survivor's annuity eligibility.

10. Survivor's Annuity - Amount. (a) Upon the death of an annuitant, his or her surviving spouse shall be entitled to a survivor's annuity of 66 2/3% of the annuity the annuitant was receiving immediately prior to his or her death.

(b) Upon the death of a judge while in service, the surviving spouse shall receive a survivor's annuity of 66 2/3% of the annuity earned by the judge as of the date of death, or 7 1/2% of the judge's last salary, whichever is greater.

(c) Upon the death of a former judge who had terminated service with at least 10 years of service, his or her surviving spouse shall be entitled to a survivor's annuity of 66 2/3% of the annuity earned by the deceased member as of the date of death.

(d) Upon the death of an annuitant, a judge in service, or a former judge who had terminated service with at least 10 years of service, each surviving child under the age of 18 or disabled shall be entitled to a child's annuity in an amount equal to 5% of the decedent's final salary, not to exceed in total for all such children the greater of 20% of final salary or 66 2/3% of the earned retirement annuity.

(e) Survivor's annuities are subject to annual automatic increases of 3% of the current amount of annuity.

11. Refund of Contributions. A participant who ceases to be a judge may apply for and receive a refund of his or her total contributions to the system, provided he or she is not then eligible to receive a retirement annuity.

A participant who becomes unmarried, either before or after retirement, is entitled to a refund of contributions made for the survivor's annuity.

Appendix 2

Glossary of Terms used in Report

1. Actuarial Present Value. The value of an amount or series of amounts payable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

2. Actuarial Cost Method or Funding Method. A procedure for determining the actuarial present value of pension plan benefits and for determining an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

3. Normal Cost. That portion of the actuarial present value of pension plan benefits which is allocated to a valuation year by the actuarial cost method.

4. Actuarial Liability or Accrued Liability. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension benefits which is not provided for by future normal costs.

5. Actuarial Value of Assets. The value assigned by the actuary to the assets of the pension plan for purposes of an actuarial valuation.

6. Unfunded Actuarial Liability. The excess of the actuarial liability over the actuarial value of assets.

7. Projected Unit Credit Actuarial Cost Method. A cost method under which the projected benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial present value of benefits allocated to a valuation year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial liability.

Under this method, the actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial liability.

8. Actuarial Assumptions. Assumptions as to future events affecting pension costs.

9. Actuarial Valuation. The determination, as of a valuation date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.